

PUBLIC PERCEPTIONS OF CENTRAL BANK DIGITAL CURRENCY

Bank of Canada

Qualitative Findings Report

January 2023

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RESEARCH APPROACH



BACKGROUND & OBJECTIVES



BACKGROUND

The Bank of Canada is continuing its work in building the capability to issue a central bank digital currency (CBDC) that Canadians can trust and rely on. Currently, there are no plans to issue a digital currency, but should the need arise, the Bank has to be ready. Ultimately, Parliament and the Government of Canada will determine if or when to issue a CBDC.

A smaller, targeted qualitative engagement with Canadians was conducted to inform the technical and policy work as well as prepare the Bank for broader public consultations on CBDC in the future.

OBJECTIVES

Qualitative research was intended to garner feedback from Canadians on the concept of a CBDC.

Specifically, this research explored:

- The levels of trust towards a CBDC;
- The perceived value of a CBDC in the context of public good, monetary sovereignty, and an increasingly digital world; and
- The role of Canadian symbolism in a CBDC design.

METHODOLOGY



FOCUS GROUPS



FIELDWORK



NUMBER OF PARTICIPANTS

Nine (9) focus groups were undertaken with Canadians of various sociodemographic backgrounds.

Fieldwork took place in-person in Toronto, Surrey, and Montreal (sessions conducted in French) and online with a mix of medium and small centres in Atlantic Canada, Western Canada, and Quebec (session conducted in French). This occurred between **September 20** and **September 28, 2022**.

A total of **sixty-three (63) participants** took part in these focus group sessions.

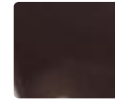
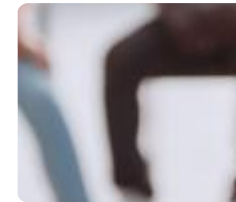
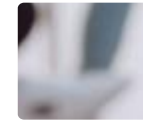
Note that the research findings highlighted herein are qualitative in nature and cannot and should not be generalized as indicative of the views of the broader Canadian population. The details in this report should thus be considered directional in nature.

RESEARCH FINDINGS



Participants displayed high levels of trust toward existing forms of Canadian money.

- Prior to introducing the concept of CBDC, the research explored participants' contextual attitudes towards current forms of money. It was evident and explicitly stated that participants' trust in the reliability of both central bank money and commercial bank money **was never questioned, specifically in terms of face value and stability over time.**
- Lack of personal experiences in *not* being able to use cash or access money in their bank accounts, along with lack of experiences of living through episodes of the devaluation of the Canadian dollar or bankruptcy of Canadian banks, underpinned much of participants' trust. In other words, **they had no reason not to trust** the reliability/ stable value of cash or the money in their bank accounts. It was a given. Complementing this, there was the belief that Canada's economy and the banking sector were stable in contrast to other parts of the world.
- The Bank of Canada was not often spontaneously referenced by participants when discussing their trust in cash. Instead, they tended to refer to money being "**backed by the government**," which bolstered their trust levels.
- The impact of **inflation** on the purchasing power of money was discussed in some groups, but this did not appear to result in a deterioration of the perceived stability of money.



*We have a **relatively stable economy**. I know it's hard to prove with the interest rates and inflation, but we have a relatively stable economy. It's a country that's been around for more than 150 years. In fact, I was going to ask you why this question comes up, because I can't imagine anyone not trusting the currency.*

The CBDC concept generated a lot of interest among participants, yet it also raised many spontaneous questions about its purpose relative to existing modes of payment.



What's the point of that?

Je ne comprends pas la différence entre ça et le débit.

I don't know if I fully understand the point.

I want to know more information about it.

I wonder why?

Est-ce que ça, ça facilite l'utilisation de la monnaie de façon transactionnelle? J'ai plein de questions!

It's cash, the same as it being in my own wallet?

J'ai de la misère à imaginer de quoi ça aurait l'air.

Specifically, participants questioned what the benefit of a CBDC would be to their daily lives, affecting receptiveness to the concept.

- Many expressed **some confusion about the basic concept of a CBDC**, how it would affect them, or why they would ever need to use a digital CBDC instead of bank notes or other forms of payments.
- This was mainly because participants felt **well-served by existing forms of money and payment methods**, as discussed previously.
- It was unclear how a CBDC would **differ from the digital forms of money offered by their financial institution and the payment methods already available**. The fact that no conceptual model was presented made this exercise more challenging.
- In the end, most participants did not view the CBDC in a negative light but found it rather **difficult to relate to the concept**.



Still, a CBDC was viewed to represent a public good in the following ways:

“ I can envision it as being **important for charitable organizations**, and places that would have maybe a \$100 card that they could give to the **homeless** that need food, transportation, something like that. For me, I'm good with what I've got...there's a **subculture of people that don't have the ability to hold cash or remember PIN numbers and things**. There's a lot of people that are suffering, and I could see this being valuable for them.

1 INCLUSIVITY AND ACCESSIBILITY:

- A CBDC's promise of **greater financial inclusivity** was seen as an inherently public good. This was especially true when ideas about a CBDC potentially being available offline, without fees/not having commercial banking fees, and generally being a cheaper payment option were presented.
- A CBDC was also imagined as important for **people/groups who are more digitally disconnected and disadvantaged** (e.g., persons experiencing homelessness and low-income/vulnerable Canadians) to improve financial access. Ultimately, the public good was that it would likely **benefit those less connected**, including those with no bank accounts and in remote communities

2 CONNECTIVITY:

- The potential **ease of sending money peer-to-peer and internationally** was an additional public good of a CBDC, thereby increasing digital and financial connectivity within Canada and globally.

3 TECHNOLOGICAL ADVANCEMENTS:

- Another public good was that a CBDC would ensure Canada keeps up with and/or continues with technological advancements. Indeed, to **“forge on with progress” in an expanding digital economy**, such as by way of officially-issued money (or “public money”), was considered necessary.

4 SECURITY, TRUSTWORTHINESS, AND RELIABILITY:

- Lastly, in contrast to Bitcoin and other cryptocurrencies, officially-issued money was viewed as **more secure, trustworthy, and reliable**, especially in terms of keeping its value, representing a public good of a CBDC.

As mentioned, discussed was that Canada needs to keep up with digital advancements. For this reason, it was felt that a Canadian CBDC should/would be inevitable.

- Notably, participants did not want to be “**forced**” into using a CBDC as they were happy with their current options for digital transactions. Several openly admitted that they would unlikely be early adopters of CBDC.
- They envisaged their **comfort levels to increase with time as/when a CBDC becomes more widely used** by others, and they begin to see and recognize the benefits, utility, and value-add of a CBDC to their existing payment method options.

“
*I think that **it may be inevitable that everything is going to go digital at some point**...I would see that in the future, it could be a way of doing business.*

*Je pense, **c'est inévitable**, parce que c'est en train de se passer de toute façon. On l'a tous dit qu'on a pratiquement plus d'argent comptant sur nous.*



Participants displayed unquestioning trust towards a hypothetical Canadian CBDC being issued.

- The fact that a CBDC would be 'backed by the Bank of Canada' meant that the **high levels of trust already existing towards cash** were automatically transferred to a Canadian CBDC.
- Further, **CDIC insurance** effectively rendered commercial bank money as “backed by the government” for those aware of deposit insurance. Indeed, some participants' trust in their commercial bank account money came from the fact that it was insured. Most had given little thought to the difference in the liability of commercial bank money versus central bank money.
- The distinction between an “official” CBDC versus cryptocurrency was not difficult for participants to grasp. While there was awareness of cryptocurrencies' speculative and volatile value, participants did not conflate these properties with CBDC. **A Bank of Canada-issued CBDC was seen as more secure and more reliable than cryptocurrencies**, representing a public good of a CBDC as mentioned.
- Participants were not inclined to view a CBDC as more trustworthy than the current digital form of money in their commercial bank accounts that they are used to and that works for them.

T R U S T



*It's the Bank of Canada. **We've always trusted it.** They wouldn't bring out something that's not to be trusted.*

*A CBDC issued by the Bank of Canada to me would be the same as a dollar issued by the Bank of Canada today, so I really don't see the difference...**As much as I trust the Canadian dollar now, I would trust that digital currency.***

*As soon as you say government, you have all these crypto concerns are addressed. Crypto takes it into a scary land, because everything you hear about crypto tends to be a little questionable. You can make millions, or you could lose everything. If the government is backing [CBDC] and putting their name beside it, there is a certain **solidness** to it, even though it's virtual, that it would be **trustworthy**.*

Receptivity to a CBDC from a monetary sovereignty standpoint was strong when imagining a world where other major economies adopt CBDCs.

➤ There was a desire for Canada to remain on top of and be a clear part of digital economy developments and the global economy. Most did not want Canada to “lag” behind other advanced economies such as the United States. They certainly did not wish for Canada to be roped into another country’s CBDC if Canada were not to develop its own.

➤ At the same time, most participants were not keen for Canada to be an early adopter of a CBDC, as most wanted to see a CBDC in action and see its design features first. It was felt that Canada should not be a “trendsetter” in this regard.

CBDC
CENTRAL BANK DIGITAL CURRENCY

“
*I would expect for us being that established country as well to also have our own digital currency that we could use, **if this became a thing where everyone had their own digital currency, just like everyone has their own bank notes.***”

More broadly, the research found that participants recognized and valued the role of an official currency in maintaining monetary sovereignty even if they did not always fully understand the economics.

1

Participants **struggled to imagine a scenario in which Canada did not have a national currency** and would still be considered a country. Our national currency, along with national borders and a flag, were seen as the signals that defined Canada as an independent and developed country.

The role of an official national currency in maintaining monetary sovereignty did surface. The challenges experienced by certain countries in the Eurozone and countries that have adopted the US dollar were cited as examples by several participants. Even those who lacked an understanding of the concept of monetary sovereignty generally felt that an official national currency is desirable for the economy.

2

3

Ultimately, the principle of **monetary sovereignty was valued** by participants.

Highlighting how a Canadian CBDC contributes to the existing monetary policy toolkit emerged as an opportunity for future communications with Canadians on the topic.

Soft support for retaining the existing colour scheme and Canadian symbolism in a future CBDC.



- There was an **emotional connection** to Canadian bank notes for some participants, prompting feelings of pridefulness. Specifically, the symbolism on bank notes was valued as a **strong symbol of Canadian identity**. There was an attachment to the distinct colour scheme of Canadian dollars, and it was felt that having marked features (e.g., maple leaves) and historical figures and moments (e.g., Viola Desmond, railroad) on the bank notes pays tribute to and platforms Canada's history.
- Therefore, unsurprisingly, when asked about Canadian symbolism as a part of a hypothetical CBDC, **retaining the colours** associated with different denominations, the **maple leaves**, and the **historical figures and moments** featured on bank notes was of interest. It was pointed out that transferring existing bank note characteristics to a CBDC would likely generate a **sense of familiarity and comfort** with a CBDC.
- Additionally, a few participants suggested the importance of including **more recent historical figures and moments** and showcasing more of **Canada's natural beauty** in a hypothetical CBDC.

SUMMARY AND IMPLICATIONS

Summary of attitudes towards a hypothetical Canadian CBDC, as highlighted by this research.



POSITIVES

- May benefit those less digitally connected and disadvantaged Canadians.
- Keep up with advancements in this “digital era.”
- Remaining on top of technological advancements and a part of the global economy.



NEGATIVES

- Challenges with understanding how a CBDC would work from a user-experience perspective.
- Being stuck on the terminology of “digital” and unable to imagine how a “digital” payment option could be available offline.
- Unclear benefits.
- May duplicate existing payment options.



QUESTIONS

- How do you gain access to a CBDC? Will you need a Bank of Canada account?
- How would a CBDC be transferred? Would you earn interest?
- What costs would be associated with using a CBDC?
- Would a CBDC be accepted widely?
- Would a CBDC be untraceable like cash?
- What is being done to ensure security and privacy, and deter criminal activities?

Implications



PUBLIC TRUST

The research finds that the Bank's credibility, or simply "backed by the government," instills public trust in a CBDC.



VALUE PROPOSITION

It will be essential to communicate clearly and often about how Canadians would personally benefit from a CBDC if the concept were to become reality. A clear value proposition would need to be outlined.



PUBLIC GOOD

The public good potential of a CBDC relates to financial inclusivity/ access, digital and financial connectivity, technological advancements in a digital world, and the security, trustworthiness, and reliability that come with officially-issued money.



MONETARY SOVEREIGNTY

Receptivity to a CBDC from a sovereignty standpoint was strongest when imagining a world where other major economies adopt CBDCs. Highlighting how CBDC contributes to the existing monetary policy toolkit emerged as an opportunity for future communications with Canadians on the topic.

**THANK
YOU.**

